CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM BOARD OF ADMINISTRATION HEALTH BENEFITS COMMITTEE MEETING MINUTES

October 21, 2008

The Health Benefits Committee met on Tuesday, October 21, 2008, in the Embassy Suites Hotel, 333 Madonna Road, San Luis Obispo, California.

The meeting was called to order at 11:15 a.m. with the following members present:

Priya Mathur, Chair
George Diehr, Vice Chair
Ruth Holton-Hodson representing John Chiang
Rob Feckner
Debbie Endsley representing David Gilb
Henry Jones
Tricia Wynne representing Bill Lockyer
Tony Oliveira
Anne Sheehan

Other Board members present:

Kurato Shimada Charles Valdes

AGENDA ITEM 2 – APPROVAL OF SEPTEMBER 16, 2008, HEALTH BENEFITS COMMITTEE MEETING MINUTES

The September 16, 2008, Health Benefits Committee meeting minutes were approved as presented.

AGENDA ITEM 3A – UPDATE ON PURCHASE OF MEDICARE PARTS A AND B

As an information item, Gregory Franklin, Assistant Executive Officer, Health Benefits Branch, provided the Committee further actuarial analysis of the retiree population to determine present value of savings, strategies for managing Medicare enrollment employed by other government agencies, and regulations governing public agency enrollment in PEMHCA. If the Committee decides to pursue transferring Medicare-age retirees in basic plans to Medicare plans, the next steps include: determining which groups to transfer; investigating state and public agency funding mechanisms for Part A and Part B payments to Medicare; identification of necessary legislative, regulatory, or policy changes required; and, considering implementation for the 2010 rate year.

The Chair directed that Medicare policy to be brought back a later date.

AGENDA ITEM 5A – KAISER 2010 PROPOSED INITIATIVES

As an information item, David Henka, Kaiser Permanente, presented initiatives to be considered for 2010 implementation; Wellness Pilot; Kaiser Permanente Senior Advantage Part B Plan Only; and, Partnering on Legislation. Kaiser requested input from the Health Benefits Committee, CalPERS staff, and constituents that will guide the development of detailed proposals to be brought back to the Committee for further review, consideration, and potential action in 2010.

Neal Johnson, SEIU Local 1000, spoke on this item.

AGENDA ITEM 9A - LONG-TERM CARE PROGRAM VALUATION REPORT

Karl Volkmar, United Health Actuarial Services, Inc. presented the draft 2008 Long-Term Care Program annual valuation report. The UHAS developed their 2008 annual valuation by using the 2007 valuation as their starting point. The 2007 annual valuation was completed just prior to the implementation of the Board-approved rate increase. The deficit reported in the 2007 valuation was nearly forty-three percent, while the deficit after the rate increase was just over five and a half percent.

On **MOTION** by George Diehr, **SECONDED** and **CARRIED**, the Committee recommended the Board approve staff's recommendation to accept the June 30, 2008, Long-Term Care Program valuation report as prepared by United Health Actuarial Services, Inc and implement the recommendations outlined on Page 3 of the Agenda Item.

AGENDA ITEM 9B – LONG-TERM CARE GROUP CONTRACT EXTENSION

Gregory Franklin, Assistant Executive Officer, Health Benefits Branch, presented information on the benefit of extending the Long-Term Care Groups' (LTCG) current contract to enable CalPERS to evaluate the current structure and details of the Administrative Services Agreement to better align the interests of CalPERS and an administrator. The LTCG has provided administrative services for the CalPERS Long-Term Care Program since its inception in 1995.

On **MOTION** by George Diehr, **SECONDED** and **CARRIED**, the Committee recommended the Board approve extending the Long-Term Care Group contract for one twelve month period.

Ann McWherter, Chair, Long-Term Care Advisory Group, spoke on this item.

AGENDA ITEM 10 - ASSISTANT EXECUTIVE OFFICER REPORT

Gregory Franklin, Assistant Executive Officer, Health Benefits Branch, gave an update on the Health Benefits Branch strategic direction.

AGENDA ITEM 11 – PROPOSED AGENDA FOR NOVEMBER 19, 2008, HEALTH BENEFITS COMMITTEE MEETING

The proposed November 19, 2008 Health Benefits Committee agenda was accepted with the addition of the following agenda items:

- Staff's Response to of Kaiser Permanente's and Blue Shield of California's 2010 Proposed Initiatives
- Kaiser Permanente's Proposal of Plan by Plan Analysis
- Long-Term Care Group Contract Extension

AGENDA ITEM 12 – PUBLIC COMMENT

There was no public comment.

The meeting was adjourned at 12:46 p.m.

The next meeting of the Committee is scheduled for November 19, 2008, in Sacramento, California.

Kenneth W. Marzion Interim Chief Executive Officer